

News Release

CONTRACTORS STATE LICENSE BOARD

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Warrants and Arrests in Aquarius Swimming Pool Case

Contractors State License Board investigation results in more than 30 felony charges

SACRAMENTO – The Contractors State License Board (CSLB) and Sacramento County District Attorney's Office investigation of Aquarius/Imperial Pools of Sacramento (License #267176) has resulted in the arrest today of Gregory Wolfe and his wife Teresa Wolfe. The two face 11 felony charges of mishandling company finances, defrauding consumers and subcontractors and willfully filing false income tax returns. Both are in Sacramento County Jail, each with \$120,000 bail.

Aquarius Pools abruptly halted operations in August 2006, leaving more than 60 families from Marysville to Elk Grove with partially completed swimming pools. CSLB received initial complaints/inquires from homeowners and subcontractors who filed more than 60 mechanics liens against the homeowners for unpaid work.

The Wolfes were managing the company and its day-to-day operations when it became financially insolvent and shut its doors. Owners Kevin Towle and Richard Carnation were in the process of selling the company to Greg Wolfe. Mr. Wolfe was listed as Responsible Managing Officer (RMO), Chief Executive Officer (CEO) and President on the Aquarius license. The company filed for bankruptcy in late 2007.

The Wolfes are charged with using the company's assets for personal gain. A forensic accountant conducted an analysis of various bank accounts and determined that between January 2004 and August 2006, the couple diverted Aquarius Pools assets through fraudulent payroll and business expenses, purchases of personal items, vacations, vehicles and personal expenses. Amongst the items the Wolfes purchased were a timeshare in Cancun, Mexico, multiple vacations and Sacramento Kings season tickets. The accountant also found that they used Aquarius money to pay various credit card bills, to put three children on Aquarius' payroll, to pay rent and/or security deposits for two sons, to make payments on one son's vehicle, and for home improvement items, including new garage cabinets.

The analysis also showed that some of the money diverted by the Wolfes was from customers who were left without completed jobs.

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The Franchise Tax Board (FTB) initiated its own investigation and recommended to the District Attorney that criminal charges be filed against the Wolfe's for willfully filing false California income tax returns for 2005 and 2006. The couple filed those returns only after CSLB began its investigation and it's alleged that they under-reported their income for those two years by a total of almost \$400,000.

The official charges filed by the Sacramento County District Attorney's office are:

4 Counts	California Penal Code: 487a	Grand Theft
4 Counts	California Penal Code: 484b	Diversion of Funds
1 Count	California Penal Code: 476a	Financial Fraud
2 Counts	Revenue and Taxation Code 19705	False Tax Returns

"This is one of the longest and most complicated investigations the CSLB has ever been a part of," said CSLB Registrar. "Our staff has been diligent in searching for the truth and making sure those responsible for harming consumers pay the price."

In addition, the CSLB is moving ahead with its administrative case against the two owners of Aquarius Pools. The CSLB is seeking to revoke the license, along with four other contractors licenses held by Carnation and Towle. A hearing on the accusations before an administrative law judge is scheduled to begin June 17, 2008. Investigations are being conducted by other agencies and could result in charges against Carnation and Towle.

CSLB worked closely with the California Spa and Pool Industry Education Council (SPEC) to help the families harmed in the Aquarius bankruptcy. SPEC gathered a group of licensed contractors to step in and finish up the jobs at a reduced price. Many victims utilized this and all homeowners now have their pools finished.

The majority of mechanics liens have also been settled. CSLB is now aware of any sub-contractor that went out of business as a result of the Aquarius bankruptcy.

The Contractors State License Board operates under the umbrella of the California Department of Consumer Affairs. The CSLB licenses and regulates California's 315,000 contractors, and investigates more than 20,000 complaints against contractors annually. In fiscal year 2006-07, the CSLB helped consumers get more than \$45 million in ordered restitution. The CSLB is also a partner in Governor Schwarzenegger's Economic and Employment Enforcement Coalition, a multi-agency group focused on enforcing the state's labor laws and regulations.

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